February Industrial Production / Capacity Utilization

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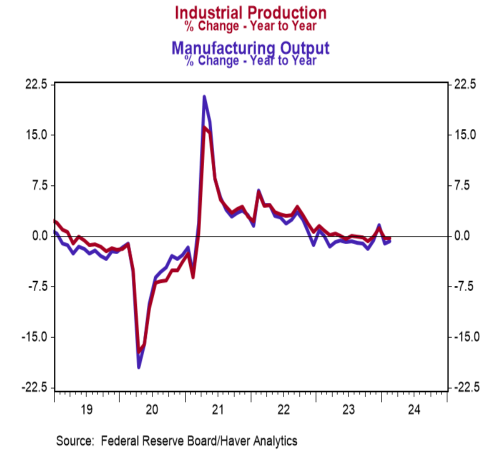
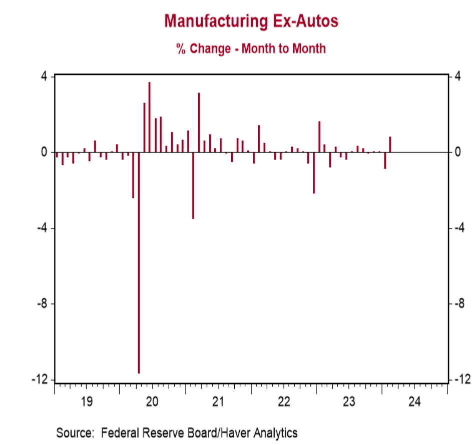
- Industrial production increased 0.1% in February (-0.3% including revisions to prior months) versus a consensus expectation of no change. Utilities output fell 7.5% in February, while mining rose 2.2%.
- Manufacturing, which excludes mining/utilities, increased 0.8% in February (+0.6% including revisions to prior months). Auto production jumped 1.9%, while non-auto manufacturing rose 0.8%. Auto production is up 3.6% in the past year, while non-auto manufacturing is down 0.9%.
- The production of high-tech equipment increased 0.3% in February and is up 18.6% versus a year ago.
- Overall capacity utilization remained unchanged at 78.3% in February. Manufacturing capacity utilization increased to 77.0% in February from 76.4%.





Implications: Industrial production rebounded in February, with the underlying details coming in stronger than the headline gain of 0.1%. The Federal Reserve highlighted that February's winter weather was milder than January's, boosting production. The manufacturing sector was the biggest source of strength in today's report, with activity rising 0.8%. Non-auto manufacturing (which we think of as a "core" version of industrial production) posted a gain of 0.8% in February, the largest in more than a year. Meanwhile, auto production jumped 1.9%, as well. Notably, the production of high-tech equipment also rose for the thirteenth month in a row and is up 18.6% in the past year, by far the strongest growth of any major category. This likely reflects investment in AI as well as the reshoring of semiconductor production, which remains temporarily strong due to the CHIPS Act, despite broader weakness in the industrial sector. The mining sector rebounded in February, too, increasing 2.2%, also the largest monthly gain in over a year. Broad-based strength in oil and gas extraction as well as mineral extraction contributed. Finally, the utilities sector (which is volatile and largely dependent on weather) was the big source of weakness in today's report. Activity plummeted 7.5% in February, the largest monthly decline since 2006, as the end of unusually cold weather in January rapidly reduced demand for home heating. In other news this morning, the Empire State Index, a measure of manufacturing sentiment in the Northeast, dropped unexpectedly to -20.9 in March from -2.4 in February, while import prices increased 0.3% in February and export prices jumped by 0.8%. In the past year, import prices are down 0.8% while export prices are down 1.8%.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	**Feb-24**	**Jan-24**	**Dec-23**	**3-mo % Ch *annualized***	**6-mo % Ch. *annualized***	**Yr to Yr *% Change***
Industrial Production	**0.1%**	-0.5%	-0.3%	-2.7%	-1.5%	-0.3%
Manufacturing	**0.8%**	-1.1%	0.0%	-0.8%	-0.4%	-0.7%
Motor Vehicles and Parts	**1.9%**	-3.9%	1.4%	-2.9%	-1.5%	3.6%
Ex Motor Vehicles and Parts	**0.8%**	-0.9%	0.0%	-0.4%	0.0%	-0.9%
Mining	**2.2%**	-2.9%	0.8%	0.3%	-0.3%	1.4%
Utilities	**-7.5%**	7.4%	-4.0%	-17.2%	-11.5%	0.8%
Business Equipment	**1.7%**	-1.4%	-0.3%	0.0%	-1.0%	-0.2%
Consumer Goods	**-1.4%**	0.3%	-0.6%	-6.5%	-3.1%	-1.5%
High-Tech Equipment	**0.3%**	0.4%	0.9%	6.8%	13.3%	18.6%
Total Ex. High-Tech Equipment	**0.1%**	-0.5%	-0.3%	-2.7%	-1.8%	-0.5%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**78.3**	78.3	78.7	78.4	78.8	79.1
Manufacturing	**77.0**	76.4	77.4	76.9	77.2	77.5

Source: Federal Reserve Board